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A

LEGAL TENDER FOR DEBTS AND TAXES.

SHOWING THE SOPHISTRY OF "MERCATOR," IN THE "TIMES,"

WHO CONFOUNDS MONEY AND CAPITAL.

Being a Reprint of Articles taken from the "Sun" and "Derbyshire Courier," January 15th, 1856.

LIVERPOOL:

CHARLES WILLMER, 19, SOUTH JOHN STREET.

1856.

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NATIONAL PAPER MONEY.

(From the Derbyshire Courier.)

When one has laughed at the amusing nonsense put forth by the *Times* in its articles professing to be answers to Mr. Salt, and begins to reflect what is the real matter in discussion between the parties, it turns out to be simply this—the *Times* holds that the circulating medium of the country should be based upon gold, and Mr. Salt that it should rest on the 6000 millions which constitute the "capital" of the nation.

The *Times* wants to know how the "promise to pay" is to be kept if we are not always ready to convert the Bank Note in a certain quantity of gold of ascertained fineness. Now this "promise to pay" is, after all, merely a legal fiction. It is very much like the conventional fiction by which a Government official, after informing you that "my Lords are not prepared to take any steps" to redress your grievance, signs himself "Your obedient humble servant." Take the Bank return published in the *Times* of December 22nd. The active circulation of Notes this return states to be, for the week, ending December 15th, £18,581,300—the bullion in both departments, £11,306,338. So here are upwards of seven millions of "promises to pay" for which no gold is provided. The English Banks issue eight millions, the Irish six, and the Scotch three, without any gold for the basis of their issues. So here at this moment are about 24 millions of "promises to pay" rushing about the country unprovided with the means of keeping the said promise.

Does this give the people of England any anxiety? Is every man asking "Can I always get gold for this bit of paper?" Not at all. We all know that if a pressure, such as that of 1847, were to come the "promises" would fail to be kept. But we know also that the Banks of Issue have, for the most part, plenty of capital, and that the Bank of England is perfectly solvent. We know also that if a panic were to take place, Government would "suspend the operation of the Bill of 1844" (which is the Parliamentary phrase for the Bank

stopping payment), that "inconvertible" notes would be issued till gold came back, and that as soon as nobody wanted gold, the Bank would be ready to keep its "promise" and to pay everybody

But the "promise to pay" is in reality kept after all. The Bank Note is "convertible" into food, lodging, clothing, and everything which a man wants, including the *Times* newspaper. It was so from 1797 to 1812; it would be so again under a Bank Restriction Act, or legal tender paper. "Show us the formula," says the *Times*, for a Bank Note. Very well. If the *Times* wishes MR. SALT to adopt instead of the formula of "yours respectfully" at the end of his letter, the plain straightforward "formula" of "your uncompromised opponent," there can be little objection to it. Do away with "promise to pay" if you like, and let Government issue Notes—the simpler in expression the better—with "£1 Receivable for Taxes at Her Majesty's Exchequer" impressed on them, and duly authenticated by the proper stamp and signature. We think that the Bank would manage this better than a Government department, and should have the business in their hands as agents of Government.

We have repeatedly approximated in this country to a Representative Paper Money, and nothing but the ignorance of the people of money's real value and use has prevented us from deriving the greatest advantages from a cheap, unfluctuating, and at the same time expansive paper currency. We invite attention to an instance given by MR. MACAULAY in his recent work (Vol. 4, p. 698).

"Another and at that conjuncture (1696) more effectual "substitute for a metallic currency owed its existence to the "ingenuity of Charles Montague. He had succeeded in "engrafting on Harley's Land Bank Bill a clause which em- "powered the Government to issue negotiable paper at the rate "of threepence a day in a hundred pounds. In the midst of the "general distress and confusion appeared the first Exchequer "Bills, drawn for various amounts, from a hundred pounds "*down to five pounds*. These instruments were rapidly dis- "tributed over the kingdom by the Post, and were everywhere "welcome. The Jacobites talked violently against them in "every coffee-house, and wrote much detestable verse against "them, but to little purpose. The success of the plan was "such that the Ministry *resolved at one time* to issue *twenty* "*shilling bills* and *even fifteen shilling bills* for the payment of "the troops. But it does not appear that this resolution was "carried into effect. It is difficult to imagine how without "Exchequer Bills the Government of the country could have "been carried on during that year."

Such Exchequer Bills—without interest—drawn for all amounts from £1,000 to £1, or lower than £1 if necessary, would be "everywhere welcome." We should then have a circulating medium independent of drains of gold, panics, or hoarding

"How would you issue it?" the *Times* may ask. A portion might be given to the Bank in payment of the Government debt, and issued by them in July next in payment of the Dividends.

A suggestion of this nature was recently made by a gentleman of Manchester, and it seems a very sensible one. The experiment would thus be tried at first on a moderate scale.

How much of this paper would you issue, asks the *Times!*

The active circulation of the bank from 1819 to 1844 has varied from 25 to 17 millions, an average of between 20 and 21 millions. Let Government issue this amount, say 20 millions, an arrangement being made with the Bank, after gradually paying off the debt due from Government, to allow it to issue, as trade and commerce might require, a few additional millions.

These things might be done, under good management, without causing any derangement in our commercial or financial relations.

We have one word more for the *Times*. An error, so evident that it is surprising that it could escape the writer, runs throughout all their articles on the Currency. *He confounds capital and money.* And so he is constantly falling into absurd contradictions. One day we have spent all our *money*, and are poor. On Monday last he says, "Our country is wealthy beyond computation."

We beg leave to recommend to the notice of the *Times'* writer an excellent article which we have extracted from the *Sun* on this point.

"MERCATOR" v. THE TIMES ON THE CURRENCY.

(From the Sun.)

"Mercator" has based his arguments in support of the Bank Charter Act of 1844 on the *alleged* fact that it is not a currency, but capital, that is deficient, and from thence he aims at the conclusion that no issue of Bank Notes of any denominations could possibly remove the evil which has occasioned such serious injury to the industrial population of the country. The *Times* follows in the same strain, and utters loud jeremiads on the deplorable "*poverty*" of the nation. The existence of

general distress is admitted on every side. On that subject bullionist and anti-bullionist currency quacks, and currency reformers, fully and completely agree. It is the common starting point—the axiom that requires no proof. The mere fact that the minimum rate of discount at the Bank of England is 7 per cent for any bills having more than 60 days to run, and the consequent limitation of credit, and difficulty of converting the most unquestionable securities into money, establish the accuracy of the painful assertion beyond the possibility of doubt or controversy. But this admitted distress arises from poverty, say "Mercator" and the *Times*, and no issue of paper currency, whether convertible or unconvertible, can alleviate it! On the other hand, we assert that there is an ample supply of real capital, and that all that is required is a sufficient measure and representative of value, a circulating medium adequate to the wants and exigencies of the nation: and that, for any practical purpose, it is no more required that the currency should exclusively consist of the precious metals than that the yard with which the draper measures his cloth, or the weights by which the grocer or farmer weighs his tea or sugar or corn should be made of sterling gold or silver! Here then a direct and tangible issue is joined, and we confidently await the verdict of public opinion thereon.

For what is capital? Does it consist solely of money, without any allowance being made for money's worth? If nothing but gold and silver can be taken into account, then may the man possessed of rich and fertile lands, convenient and gorgeously-furnished mansions, of flocks and herds, or of warehouses filled to overflowing with costly merchandise, be nothing better than a mere beggar. All his noble possessions may be rendered of no value for lack of a few metallic counters, white or yellow. Capital really consists of accumulated labour in any form useful or convenient to the community, and also of the natural gifts of Providence. Gold which requires a certain amount of labour to extract it from the mines in which it lay concealed is but one—and, perhaps, the least valuable form of that capital. It is chiefly sought because, by general consent, it has been adopted as one of the means by which other *really valuable* property can be exchanged with facility. It is, as we have stated, merely the measure and representative of real property, or true "Capital," or not real property or "Capital" itself, or, at best, but one form thereof—and there is no more reason why we should not substitute a more philosophical and convenient "representative" than there was at the time of the adoption of gold instead of cattle, as the great medium of exchange, that the old principle of barter should be steadfastly maintained.

The Income and Property Tax affords a tolerably fair criterion on which to extricate the actual "Capital" of the country. We can calculate the value of the lands and houses, and the various forms of national wealth or capital, producing income or the means of livelihood. We can also *guess* at the amount of wealth not indicated by these returns. The innumerable flocks and herds—the horses, corn, and furniture, implements of husbandry, works of art, and the various goods and chattels comprised under the term "merchandise." These are the items of actual wealth, and, if they had departed from the country, we should be poor indeed. But so long as we retain them, so long as we have possession of things bestowing on the owners the necessaries, comforts, or luxuries of life, we shall be rich, although there were not a single ounce of gold remaining in the country, or in the world.

The true "capital" of the nation has been variously estimated at from *five* to eight thousand millions of pounds sterling. Taking even the lowest calculation that has been offered by any trustworthy witness, why should the withdrawal of some eight or ten millions create such wide-spread distress and suffering when it bears no greater proportion to the general stock than from one-sixth or one-fifth per cent., or some 3s. 4d. or 4s. out of every £100? The man who had £1,000 in his pocket would think it ridiculous to be required to reduce his expenditure, or to submit to serious privations because he had the amount diminished by some 30s. or £2. Why should the nation act differently, or mourn for the departure of some yellow counters, while its real wealth is not only untouched, but is daily increasing in value. With five thousand millions of property, and the thews and sinews of thirty millions of people, seven millions five hundred thousand whereof may be assumed to be adult males, and an equal number of adult females, we are rich indeed, despite the want of gold. We require but a convenient form of currency, or circulating medium, to develope the capabilities and display the almost miraculous elasticity of our natural resources; and that can only be found in the employment of really national notes of convenient denominations, the nature whereof we have repeatedly indicated, and which will pass freely from hand to hand, inasmuch as they will possess "a purchasing power," and every person will know that with these he can command an amount of the necessaries, comforts, or luxuries of life proportioned to their nominal value.

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